

INFORMATION BULLETIN #28WC

SALES TAX

JULY 2004

(replaces Information Bulletin #28WC, dated September, 1990)

DISCLAIMER: Informational bulletins are intended to provide non-technical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules and court decisions. Any information that is not consistent with the law, regulations or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

SUBJECT: Indiana Sales or Use Tax on Watercraft

REFERENCE: IC 6-2.5

INTRODUCTION

The sale of any watercraft required to be registered by the State for use in Indiana shall be subject to the sales or use tax unless such purchase is entitled to one or more of the exemptions as provided on Form ST-108E.

The selling price upon which the tax will be based will be the actual amount of consideration tendered for the watercraft after deducting all cash discounts and trade-in allowances. The deduction for trade-in allowance applies only to watercraft traded in and does not apply to other property, either personal or real, which is traded for a watercraft.

I. TAXABLE SELLING PRICE

A manufacturer's rebate is not considered deductible for sales tax purposes. This is because the purchaser is not entitled to the rebate until the watercraft is sold. The purchaser is simply assigning in advance the cash rebate to the dealer as part of the purchaser's consideration in buying the watercraft. A documented manufacturer's rebate stipulates that the rebate must be assigned to the dealer by the purchaser and the dealer's gross income will reflect the amount of the rebate, therefore, the rebate would be considered taxable for sales tax purposes.

A manufacturer's price reduction is considered deductible for sales tax purposes. This is because the manufacturer is actually reducing the selling price of the watercraft. The dealer (seller) does not receive the amount of the price reduction as consideration.

A dealer's price discount is also considered deductible in determining the amount on which sales tax is charged. The selling price is reduced by the dealer's price discount. The dealer (seller) does not receive the amount of the price discount as consideration for the watercraft sale.

The selling price upon which the tax is based for purposes of calculating the sales tax is indicated by the following examples:

1.	Boat Sticker Price	\$12,000
	Dealer Discount	\$ 500
	Used Boat Trade	\$ 4,000
	\$1,000 Rebate Assigned as Down Payment by Purchaser	<u>-0-</u>
	Taxable Selling Price	\$ 7,500
2.	Boat Sticker Price	\$12,000
	Dealer Discount	\$ 500
	Used Boat Trade	\$ 4,000
	\$1,000 Rebate Direct to Customer	<u>-0-</u>
	Taxable Selling Price	\$ 7,500
3.	Boat Sticker Price	\$12,000
	Dealer Discount	\$ 500
	Used Boat Trade	\$ 4,000
	Manufacturer Price Reduction (not rebate)	<u>\$ 1,000</u>
	Taxable Selling Price	\$ 6,500

Documentation fees for services performed after the transfer of the watercraft are not considered part of the selling price of the watercraft and therefore are not subject to tax. Transfer of the watercraft takes place when the purchaser takes possession and control of the watercraft and assumes the risk of loss, even though title has not yet been

transferred. However, the dealer must maintain adequate records to show which services pertain to the fees charged and that the services were performed after the transfer of the watercraft.

II. PURCHASES FROM INDIANA DEALERS

If the watercraft is purchased from a registered Indiana dealer, the dealer must collect the tax and provide to the purchaser a completed Form ST-108 showing that the tax has been paid to the dealer. If the purchaser claims exemption and no tax is collected by the dealer, the statement at the bottom of Form ST-108E must be completed and signed by the purchaser. Whenever a purchaser claims an exemption on Form ST-108E, the dealer must retain a completed exemption certificate.

Effective July 1, 2004, watercraft purchased in Indiana to be registered or licensed for use in another state are subject to Indiana sales tax.

III. INSTATE PURCHASES FROM PERSONS OTHER THAN INDIANA DEALERS

A watercraft which is not purchased from a registered Indiana boat dealer, requires the Bureau of Motor Vehicles to collect the use tax at the time of registration unless the purchaser is entitled to claim exemption from the tax for one of the reasons shown on the reverse side of Form ST-108E.

The Bureau of Motor Vehicles will compute the tax due based on the actual selling price of the watercraft if:

- (1) The seller signs a written affidavit under penalties of perjury stating the actual selling price of the watercraft; and
- (2) The buyer presents such affidavit to the Bureau of Motor Vehicles at the time of registration.

In absence of an affidavit, tax due will be computed based on the presumption that the selling price of the watercraft was the highest book value for that particular watercraft year, make and model.

If the purchaser claims exemption on a watercraft not purchased from a registered dealer, the ST-108E must be completed by the customer and attached to the Department's copy of the title application. The ST-108E must show the specific paragraph under which the exemption is claimed, and be signed at the bottom of the form by the purchaser.

IV. SALES OF WATERCRAFT TO BE TRANSPORTED AND TITLED OR REGISTERED OUTSIDE OF INDIANA

If a person purchases a watercraft from an Indiana watercraft dealer and intends to transport the watercraft outside of Indiana, the watercraft is subject to sales tax as of July 1, 2004. If the person purchases the watercraft from someone other than a dealer and does not present the watercraft to be titled or registered in Indiana, no formal paperwork is necessary.

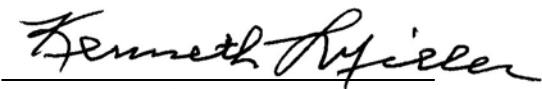
V. PURCHASES FROM OUT-OF-STATE SELLERS

Watercraft purchased out-of-state by Indiana residents and brought into Indiana to be registered are subject to Indiana use tax. This includes documented vessels registered with the U. S. Coast Guard. The tax will be based upon the bill-of-sale or other proof of purchase. Credit will be provided for sales and use tax paid to another state if the watercraft is required to be titled, registered or licensed in Indiana.

Out-of-state purchases of boats from dealers or individuals may be registered with the Bureau of Motor Vehicles, Watercraft Registration Titling Section.

VI. BOAT TRAILERS

The Indiana Sales and use tax applies to sales of boat trailers. The tax will be collected by the registered boat dealer at the time of purchase. If the trailer is purchased from someone other than a registered boat dealer, then the tax will be collected by the Bureau of Motor Vehicles at the time the trailer is registered for highway use. If a person plans to claim an exemption for the trailer, ST-108E should be completed.



Kenneth L. Miller
Commissioner